

Texas State Affordable Housing Corporation

Woodside Village Apartments

2029 MLK Jr., Blvd., Palestine, TX 75803

Owner: DHI Woodside Apartments LLC

Date Built: 1975

Management Company: Capstone Real Estate Services, Inc.

Property Regional Manager: Jasline Johnson

Inspection Date & Time: November 5, 2020 at 10:00 a.m.

Inspector's Name: James Matias

Occupancy at Time of Report:	96.7%	Average Occupancy Over Last 12 Months:	93.9%
Number of Units: 92			
Number of One Bedrooms:	10	Number of Two Bedrooms:	30
Number of Three Bedrooms:	42	Number of Four Bedrooms:	10

PHYSICAL INSPECTION	YES	NO	N/A
1) Are the access gates in operable condition?			X
2) Is the community monument sign in acceptable condition?	X		
3) Is the perimeter fence surrounding the property in acceptable condition?	X		
4) Are the grounds and landscaping in acceptable condition?		X	
5) Are trees and shrubs properly trimmed?	X		
6) Are the grounds free of erosion, foot paths and tree root elevation?		X	
7) Are sidewalks clean and in good repair?	X		
8) Is parking lot clean and in good repair with handicap parking clearly marked?	X		
9) Are recreational/common areas clean, maintained and accessible?	X		
10) Are laundry facilities clean, maintained and accessible?			X
11) Is facility equipment operable and in acceptable condition?	X		
12) Is the area around the waste receptacles clean and are the enclosures in good repair?	X		
13) Is the exterior of the buildings in acceptable condition?	X		
14) Are hallways clean and maintained?			X
15) Are storage/maintenance areas clean, maintained and organized?	X		
16) Are building foundations in good repair?	X		
17) Are the gutters, downspouts and fascia boards on the buildings in good repair?	X		
18) Do the building roofs appear to be in good condition?	X		
19) Do balconies and upper level walkways appear to be in good condition?			X
20) Do windows, blinds, doors, and trim appear to be in good condition?	X		
21) Is Management addressing all health, fire or safety concerns on the property?	X		
22) Have repairs or corrections recommended or required from the last physical inspection been satisfactorily completed?	X		

COMMENTS: On the day of the site visit the common areas, office, and amenities were found to be well kept and in good condition. The roofs, foundations, windows, and doors were found to be in acceptable and working condition. Based on an observation of the photos provided, the perimeter fence had a lot of missing pickets and damage. The fence has been a problem identified in the last 3 property reviews. Prior to the completion of this report, management provided pictures showing the fence has been repaired. The maintenance staff did a good job with the repairs, they replaced the entire section as opposed to a few pickets here and there and this gives the fence a look of uniformity.

SECURITY PROGRAM Part I		
1) After review of the prior 3 months of police reports, the following incidents were noted and includes the number of times incidents occurred:		
Incident Type	# of Occurrences	Comments:
Burglary		
Theft		
Criminal Mischief		
Personal Assault		
Drug Related Activity		
Gun Related Activity		
Domestic Violence		

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Disturbance					
Other					
			YES	NO	N/A
2) Does the property utilize a crime prevention agreement?			X		
3) Does the property take pro-active measures to address crime on property? If so, add comment			X		
4) Are light checks conducted by management staff on a weekly basis? If not, add comment.			X		

COMMENTS: According to the Manager the Palestine Police Department is behind on processing request; therefore, they have not been able to collect recent 911 call logs. In an effort to deter crime at the community, management said they maintain their working relationship with the local police department who provides courtesy drive-bys, they meet with tenants involved with incidents, and they issue lease violations when necessary. Staff also utilizes and reviews the security camera system regularly. Management said they review the exterior lights weekly.

SECURITY PROGRAM Part II			YES	NO	N/A
1) Is the Staff trained to address crime on the property?			X		
2) Is the property free of graffiti and/or vandalism?			X		
3) Are criminal background checks being conducted on all residents over 18 years of age?			X		
➤ Are criminal background checks being conducted on residents as they age to be 18 while living in the unit?			X		
4) Has a risk assessment been conducted to determine risk liabilities at the property? If yes, when?			X		

COMMENTS: The Regional Manager conducts risk assessment during the monthly physical inspection of the property.

OFFICE			YES	NO	N/A
1) Is the office neat, the desk uncluttered?			X		
2) Are accurate office hours posted?			X		
3) Are emergency phone numbers posted?			X		
4) Are the EHO logos clearly posted?			X		
5) Are the following displayed in full view in the leasing office?					
➤ Fair Housing Poster			X		
➤ Occupancy Qualifications			X		
6) Is there a compliance department that ensures the set aside and eligibility requirements are being maintained?			X		
7) Does the property require licenses or permits?			X		
➤ The property maintains a permit for the boiler at the community.					
8) Are property licenses and permits renewed as required?			X		
9) Are vendor insurance records/binders properly maintained?			X		
10) Are vendors properly screened to ensure proper insurance documents are being maintained?			X		
11) Which of the following community amenities are provided for resident use?					
➤ Playground				X	
➤ Community Room			X		
➤ BBQ/Picnic Area			X		
➤ Laundry Facility				X	
➤ Business Center			X		
➤ Pool				X	
➤ Other (Horse-shoe and volleyball court)			X		

COMMENTS:

KEY CONTROL			YES	NO	N/A
1) Does the property use an electronic key tracking system? If not, answer questions 2-5.				X	
2) Are all property keys properly coded?			X		
3) Is key box locked and secured?			X		
4) Is the key code list kept separate from the key box?			X		
5) Are locks being changed during unit turnovers?			X		

COMMENTS:

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MAINTENANCE PROGRAM	YES	NO	N/A
1) Does the property have a preventative maintenance program?	X		
2) Is the preventative maintenance schedule being implemented?	X		
3) Is the maintenance shop clean and organized?	X		
4) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?	X		
5) How often are Pest Control services provided? <ul style="list-style-type: none"> ➢ The interior and exterior of all buildings are treated on a monthly basis. If a resident has a pest control problem, they can request an interior treatment. 			
6) What is the policy for following up on completed service requests? <ul style="list-style-type: none"> ➢ The Property Manager follows-up on major work order items to ensure the work was completed satisfactorily. 			
7) What is the property's after-hours emergency policy? <ul style="list-style-type: none"> ➢ Ring Central is utilized by the property. If an after-hours call is received, Ring Central will forward that call accordingly. 			
8) What capital improvements have been scheduled or completed for this budget year? <ul style="list-style-type: none"> ➢ There were no capital improvements in the last year for the community. However, the development is renovating the daycare associated with this development. 			

Detail of Ongoing Repairs and Replacements Completed in Last Budget Year

9) Unit Interior and Appliance upgrades <ul style="list-style-type: none"> ➢ There were a handful of unit interior repairs and replacements completed in the last budget year. This included the cabinet replacement in one unit, floor replacements in about 50% of the units that were turned, and the replacement of several washer/dryer units. 			
10) Building Exterior and Curb Appeal repairs <ul style="list-style-type: none"> ➢ There were no building exteriors or curb appeal repairs or replacements completed during the last budget year. 			
11) Amenity upgrades <ul style="list-style-type: none"> ➢ There were no amenity upgrades completed during the last budget year. 			
12) Other repairs or replacements <ul style="list-style-type: none"> ➢ N/A 			

Number of service requests received:	9		
Number of requests open from prior periods:	0		
Number of service requests completed:	9		
Number of service requests completed within 24 hours:	5		
Number of outstanding service requests:	0		

13) On average, how many days does it take to complete a work order? <ul style="list-style-type: none"> ➢ On average, it takes maintenance staff 3.7 days to complete work orders. 			
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COMMENTS: Management provided the Service Request Activity Report dated 9/1/2020 through 11/9/2020 (69 days). Nine work orders opened in more than 2 month timeframe for a property of 92 units is low. Management is encouraged to open work orders for all maintenance including the work that is completed the same day and instances where residents inform the maintenance team directly.

MARKETING

1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth:	\$0		
Flyers	\$0		
Resident Referral	\$0		
Locator Service	\$0		
Printed/Internet Advertising	\$0		
Other Source: (Google Ad Words (\$1,055), Visits, Phone Calls and Fax/Letters)	\$1,055		
TOTAL	\$1,055	0	0

The rental activity reflected in the above table was for the month of:

	YES	NO	N/A
2) Is the property doing bilingual advertising?		X	
3) Does the property have any competitors nearby?		X	
4) Does the property "shop" their competitors?		X	
5) Does the property complete a market survey at least monthly?		X	

COMMENTS: Management did not provide a Traffic report prior to the virtual site visit. Management stated they do not track the traffic because they know it comes from the housing authority, drive-bys, or word of mouth.

Observation:

- Management is encouraged to log the traffic coming to the community. The property utilizes the Onsite software system which

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makes logging and tracking prospect information easy. Although the property has a high occupancy at this time, there is no way to know what the future holds. If the property were to start experiencing high vacancy, it would be extremely helpful for the property to start marketing. Tracking the traffic will assist the manager with knowing where to target the marketing efforts if and when it is needed.

LEASE RENEWAL	YES	NO	N/A
1) Does it appear that an effective lease renewal program is in place? If no, please comment below.	X		
2) What percentage of residents renewed last month, past 6 months, and past 12 months?	Current: 40%	6 months: 50%	12 months: 65%
3) What percentage of move-outs in the last 12 months were due to eviction/non-payment of rent or "skip"?	34.2% (13)		
4) Are lease renewal/rent increase notices sent to residents at the 120-day, 90-day, 60-day and 30-day timeframes prior the end of the lease contract? If not, comment below.	X		
5) Are rent increase notices sent to residents at least 30-days prior to the rent increase implementation?	X		
6) Are individual files being reviewed to determine renewal/non-renewal status?	X		
7) Are renewals and re-certifications tracked and monitored with property management software? I.e., Yadri, Onesite, or Owner/Agent created software?	X		
8) Are rent increases being implemented?	X		
9) When was the last rent increase implemented? What was the average rent increase? Management implemented the last rent change in July and the result of that was a slight decrease for the tenant portion and an increase for the housing portion.			
10) How many households are currently on month-to-month leases? ➢ This property executed an initial 12 lease that rolls into a month-to-month term.			
11) What is the charge for month-to-month leases? ➢ N/A			

COMMENTS: There was an increase in the number of move-outs that were due to eviction, non-payment of rent or skips from 32.5% to 34.2% this reporting year. Specifically, 7.89% (3) for non-payment of rent and 26.3% (10) for tenants who skipped. This is the second year in a row that the percentage of skips has increased. In addition, the renewal percentage is very low when compared with other project-based section 8 housing.

VACANT/MAKE READY UNITS	
1) Number of vacant units at time of activity report:	3
2) Number of completed made ready units at time of activity report:	2
3) Number of completed one bedroom units at time of activity report:	0
4) Number of completed two bedroom units at time of activity report:	0
5) Number of completed three bedroom units at time of activity report:	0
6) Number of completed four bedroom units at time of activity report:	2
7) Number of uncompleted made ready units at time of activity report:	1
8) Number of uncompleted one bedroom units at time of activity report:	0
9) Number of uncompleted two bedroom units at time of activity report:	0
10) Number of uncompleted three bedroom units at time of activity report:	1
11) Number of uncompleted four bedroom units at time of activity report:	0

Units Walked

Unit #	Brief Description
9E	(4x1) Vacant: Full turn in progress
11C	(3x1) Vacant: Ready
13E	(2x1) Vacant: Ready
14A	(1x1) Vacant: Ready

Down Units Walked (units vacant and unready for extended period of time and all down units)

Unit #	Brief Description
N/A	

	YES	NO	N/A
1) Does the Unit Availability Report match the make ready board?	X		
2) Are units being turned in a timely manner?	X		
3) Are there any down units?		X	

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4) Are there vacant units that have been vacant for an extended period of time? If so, please comment below.		X	
5) Is management utilizing property software (i.e., Yardi, Onesite, or an owner/agent created) to monitor the timely preparation of units? If not, comment.	X		
6) How often are occupied units inspected? ➤ Occupied units are inspected: Annually			
7) How often are vacant units inspected? ➤ Vacant units are inspected: Weekly			
8) How many vacant units are in progress of being made ready? ➤ At the time of the virtual site visit, 2 units are in the process of being made ready.			
9) What is the company policy on the number of days to turn vacant units? ➤ Company policy required vacant units to be turned in 5 business day.			

COMMENTS:

BUDGET MANAGEMENT

1) Are three bids solicited in order to obtain materials, supplies, and services? ➤ Three bids are required for all major ticket items, supplies, and services.
2) Have there been any large unexpected repairs or purchases that have negatively affected the current budget? ➤ Management stated that the only expense that negatively affected the budget would be the increases electrical changes. These changes are explained more in the comments below.
3) Explain YTD variances of 10% or greater. See below.

Expense Items that Varied by 10% or Greater from the Budget for Year to Date Operations Ending

(Please note that a positive variance is under budget and a negative variance is over budget.)

EXPENSE ITEM	ACTUAL	BUDGET	VARIANCE	%	EXPLANATION
Repairs and Maintenance	\$40,179	\$23,460	(\$16,719)	(71.3)	Plumbing, Electrical repairs/supplies, Electrical repairs (exterior), Building Repairs/Supplies
Monthly Services	\$41,898	\$19,630	(\$22,268)	(113%)	Pest control, Landscape services, HVAC Service
Utilities	\$128,881	\$98,211	(\$30,670)	(31.2%)	Water, Gas, Utility Billing Services, & Telephone/Pagers

COMMENTS: The expenses used to calculate the variance was taken from a comparison report dated 10/25/2020. Management stated they are overbudget on Monthly Services because the landscape contract was much higher than expected due to a new contract. In addition, Repairs and Maintenance went over budget because many of the buildings needed electrical upgrades to help with internet connections. The internet connections were needed because many of the children needed to attend school virtually due to the covid-19 pandemic.

Observation:

- Most of the items that explain the large variances are items that were identified during prior reviews. The property should strongly consider adjusting the budget to account for the actual expenses from the prior year. A better understanding of the financial projections will help with financial stability for the development.

REVENUE

FOR THE MONTH ENDING: SEPTEMBER 2020		YEAR TO DATE AS OF: SEPTEMBER 2020	
Gross Potential	\$83,582	Gross Potential	\$752,238
Budgeted Rental Income	\$85,247	Budgeted Rental Income	\$741,537
Actual Rental Income Collected	\$78,827	Actual Rental Income Collected	\$887,696
Variance + (-)	\$6,420	Variance + (-)	\$146,159
Other Revenue	\$12,745	Other Revenue	\$45,066
Total Collected	\$91,572	Total Collected	\$932,762
Budgeted	\$85,247	Budgeted	\$791,237
Variance + (-)	\$6,325	Variance + (-)	\$141,525

COMMENTS:

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ACCOUNTS PAYABLE		YES	NO	N/A
1)	Is the payable report up to date?	X		
2)	Is the property in good standing with all vendors?		X	
3)	Are invoices processed weekly?	X		
COMMENTS:		0-30 Days:		\$8,421
Finding: <ul style="list-style-type: none"> On the day of the site visit, the reviewer requested explanations for 7 accounts that have a balance greater than \$1,000 and 90 days or more past due. These vendors include a flooring provider, painter, HVAC repair, and pest control. The reviewer gave the regional property manager ample time to provide explanations. It is imperative that vendors get paid timely in order to keep them satisfied and to retain their business. Management is to provide TSAHC with an up-to-date Accounts Payable Report and detailed explanations for all vendors with a balance greater than 90 days no later than December 11, 2020. 		30-60 Days:		\$3,914
		60 Days and Over:		\$22,122
		TOTAL		\$34,457

DELINQUENCIES		YES	NO	N/A
1)	Is the delinquency report up to date?	X		
2)	What is the rent collection policy? <ul style="list-style-type: none"> Rent is due on the 1st day of each month. It is considered late on the 6th which is when 10-day late rent notices are issued. 			
3)	When is legal action taken against delinquent accounts? <ul style="list-style-type: none"> Legal action is taken at the end of the month for those that have not entered into a re-payment agreement. 			
4)	Does the property currently have any resident(s) under eviction?		X	
5)	Does Housing have any outstanding balances?	X		
COMMENTS:		0-30 Days:		(1,397)
Finding: <ul style="list-style-type: none"> On the day of the site visit, the reviewer requested explanations for 13 delinquent tenants that have a balance greater than \$1,000. The balances for the requested tenants are also more than 60 days past due. The reviewer gave the regional property manager ample time to provide explanations. During the site visit, one tenant was identified as being under eviction proceedings. Management is to provide TSAHC with an up-to-date Delinquency Report and detailed explanations for all tenants with a balance greater than \$1,000 no later than December 11, 2020. 		30-60 Days:		\$10,525
		60 Days and Over:		\$23,148
		TOTAL		\$32,276

RETURNED CHECKS		YES	NO	N/A
1)	Total number of returned checks in the past 3 months:		0	
2)	Has the manager collected and deposited all returned checks?	X		
3)	Is the manager following company policy on returned checks?	X		
COMMENTS:				

PERSONNEL		YES	NO	N/A
1)	Does owner/agent have a system/procedure for providing field supervision of on-site personnel?	X		
2)	Does the property appear to be adequately staffed?	X		
3)	Is overtime being controlled?	X		
4)	Were requested pre-audit reports submitted on time?	X		
5)	Does it appear that personnel are team oriented?	X		
6)	Are name tags/photo IDs being worn by the maintenance personnel?		X	
7)	Was management staff prepared for the site visit?	X		
8)	Has staff turnover occurred since the last site review?	X		
9)	Are weekly staff meetings held?	X		
10)	Have personnel been trained in Fair Housing?	X		
11)	List training staff has received in the past year. <ul style="list-style-type: none"> Site management is required to take various Grace Hills trainings. 			
COMMENTS: The property manager and regional manager both started on July 28, 2020.				

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OWNER PARTICIPATION	YES	NO	N/A
1) Does the owner have access to the software system utilized to manage the property?	X		
2) How often are reports submitted to the owner? ➤ The Owner is provided with weekly and monthly reports. Specifically, weekly occupancy and delinquency reports and monthly financials.			
3) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ Approval for funds is required for any dollar amount that is unbudgeted or over budget.			
4) Are the funds for needed capital improvement items, turning of units, and marketing campaigns released by the owner according to what has been budgeted?	X		

COMMENTS:

SUMMARY OF OBSERVATIONS AND FINDINGS

Observations:

- Management is encouraged to log the traffic coming to the community. The property utilizes the Onsite software system which makes logging and tracking prospect information easy. Although the property has a high occupancy at this time, there is no way to know what the future holds. If the property were to start experiencing high vacancy, it would be extremely helpful for the property to start marketing. Tracking the traffic will assist the manager with knowing where to target the marketing efforts if and when it is needed.
- Most of the items that explain the large variances are items that were identified during prior reviews. The property should strongly consider adjusting the budget to account for the actual expenses from the prior year. A better understanding of the financial projections will help with financial stability for the development.

Findings:

- On the day of the site visit, the reviewer requested explanations for 7 accounts that have a balance greater than \$1,000 and 90 days or more past due. These vendors include a flooring provider, painter, HVAC repair, and pest control. The reviewer gave the regional property manager ample time to provide explanations. It is imperative that vendors get paid timely in order to keep them satisfied and to retain their business. Management is to provide TSAHC with an up-to-date Accounts Payable Report and detailed explanations for all vendors with a balance greater than 90 days no later than December 11, 2020.
- On the day of the site visit, the reviewer requested explanations for 13 delinquent tenants that have a balance greater than \$1,000. The balances for the requested tenants are also more than 60 days past due. The reviewer gave the regional property manager ample time to provide explanations. During the site visit, one tenant was identified as being under eviction proceedings. Management is to provide TSAHC with an up-to-date Delinquency Report and detailed explanations for all tenants with a balance greater than \$1,000 no later than December 11, 2020.

Property photos can be found below.

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